

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 EA-09 IO-10 ISO-00 AGR-10 CEA-01

CIAE-00 COME-00 DODE-00 FRB-01 H-02 INR-07 INT-05

L-03 LAB-04 NSAE-00 NSC-05 PA-02 AID-05 CIEP-02 SS-15

STR-04 TAR-01 TRSE-00 USIA-15 PRS-01 SP-02 FEAE-00

OMB-01 AF-06 ARA-10 NEA-10 XMB-04 OPIC-06 /161 W

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TO SECSTATE WASHDC 6705

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

USDEL MTN GENEVA

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

AMEMBASSY OTTAWA

AMCONSUL BELFAST

AMCONSUL EDINBURGH

USMISSION EC BRUSSELS

USMISSION OECD PARIS

UNCLAS SECTION 01 OF 02 LONDON 17852

DEPARTMENT PASS TREASURY AND FRB

E.O. 11652: N/A

TAGS: EFIN, UK

SUBJECT: PRESS COVERAGE & REACTION TO THE RAMBOUILLET SUM-
MIT

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SUMMARY: THE CONCLUSION OF THE RAMBOUILLET SUMMIT BROUGHT FRONT PAGE COVERAGE IN THE MAJOR BRITISH DAILIES. HEADLINES SPOKE OF A U.S.-FRENCH MONETARY AGREEMENT, FORD'S OPTIMISM, THE SUMMIT WAY TO PROSPERITY, THE PLEDGE TO END RECESSION AND TRADE WAR RULED OUT. WELL SUMMARIZED BY THE FINANCIAL TIMES EDITORIAL HEADLINE, "MAGNULOQUENCE TRIUMPHANT," THE PAPERS WERE BROADLY AGREED THAT THE SUMMIT, BY CONFINING ITSELF TO GENERAL STATEMENTS OF PURPOSE AND AVOIDING CONCERTED MEASURES TO REFLATE, WAS A USEFUL EXERCISE. EDITORIAL COMMENTS IN THE TIMES AND THE FINANCIAL TIMES EXPRESSED RELIEF THAT NO DECISIONS WERE TAKEN THAT MIGHT STIMULATE A FRESH OUTBREAK OF INFLATION. BOTH PAPERS AGREED THAT THE SUMMIT DID PRODUCE PROGRESS ON TRADE AND MONETARY QUESTIONS. COMMENT IN THE GUARDIAN PLACED GREAT EMPHASIS ON THE AGREEMENT THAT REDUCING UNEMPLOYMENT SHOULD BE THE MAIN PRIORITY. THE U.S.-FRENCH MONETARY ACCORD WAS SEEN AS A POSITIVE DEVELOPMENT. THE GUARDIAN CONCLUDED THAT WHILE THE PRESENT ECONOMIC SITUATION COULD NOT BE CHANGED OVER ONE WEEKEND, THE OUTCOME OF THE SUMMIT WAS BETTER THAN ANTICIPATED SINCE THE SIX HAD GOTTEN THEIR PRIORITIES RIGHT. THE TELEGRAPH COMMENTED THAT THE SUMMIT "APPEARS TO HAVE DONE NO HARM." IT ADDS THAT THE U.S.-FRENCH MONETARY AGREEMENT APPEARS TO PRESAGE PROGRESS AT THE IMF MEETING IN JAMAICA. DISCUSSING HAROLD WILSON'S AIM OF INDUCING THE U.S., WEST GERMANY AND JAPAN TO INCREASE DEMAND FOR U.K. EXPORTS BY REFLATING, THE TELEGRAPH OBSERVES THAT THE BRITISH EXPERIENCE OF RAPID INFLATION AND RECESSION COULD GIVE THESE COUNTRIES PAUSE IN RESPONDING TO WILSON'S REQUEST. MOST NEWS STORIES EMPHASIZED THE U.S.-FRENCH MONETARY AGREEMENT THE RENEWAL OF THE OECD TRADE PLEDGE, AND THE NEED TO CONCLUDE THE MULTILATERAL TRADE NEGOTIATIONS BY 1977. END SUM

1. WITH REGARD TO THE MONETARY AGREEMENT, SUCH TERMS AS "THE ONLY CONCRETE RESULT OF THE 3-DAY SUMMIT," "MOST IMPORTANT PROGRESS WAS THE RESOLUTION OF DIFFERENCES OVER THE FUTURE OF THE INTERNATIONAL MONETARY SYSTEM," FREQUENTLY APPEARED. HOWEVER, THERE WERE ALSO ELEMENTS OF SKEPTICISM AND CAUTION. PETER JAY, ECONOMICS EDITOR OF THE TIMES WRITES, "MUCH IS BEING MADE ALREADY OF THE RAP-

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PROCHEMENT BETWEEN THE U.S. AND FRANCE ON THE NEED FOR STABILITY IN EXCHANGE RATE ARRANGEMENTS. ...THERE ARE FEW WHO BELIEVE THAT IT CAN BE MORE THAN ANOTHER EXERCISE IN THE KIND OF VERBAL DEXTERITY WHICH ENABLES DIFFERENT COUNTRIES TO FOLLOW QUITE DIFFERENT POLICIES IN THE NAME OF THE SAME AGREEMENT."

2. THE FACTUAL COVERAGE OF THE AGREEMENT DREW ON STATE-

MENTS OF SECRETARY SIMON, PRESIDENT GISCARD D'ESTAING, AND FINANCE MINISTER FOURCADE. GISCARD IS REPORTED TO HAVE STATED THAT THE MONETARY AGREEMENT REFLECTED APPROVAL BY ALL THE MINISTERS AT RAMBOUILLET THAT MORE CENTRAL BANK INTERVENTION WAS NECESSARY WITH THE PRINCIPAL OBJECTIVE OF REDUCING ERRATIC FLUCTUATIONS BETWEEN THE DOLLAR AND THE EEC CURRENCY "SNAKE," BUT LEFT THE CRITERIA FOR SUCH INTERVENTION VAGUE. HE IS ALSO REPORTED TO HAVE STATED THAT A SECOND CONSTITUENT OF THE AGREEMENT IS A DEFINITION OF WHAT COULD BE THE NEW ARTICLE 4 OF THE STATUTES OF THE IMF ON EXCHANGE RATES.

3. IN A FINANCIAL TIMES ARTICLE DATED BRUSSELS, FINANCE MINISTER FOURCADE IS REPORTED TO HAVE BRIEFED THE EEC COUNCIL ON THE TERMS OF THE AGREEMENT. FOURCADE STATED THAT "IN ORDER TO WORK THE SYSTEM, THERE WOULD BE

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STATE PASS TREAS

DAILY CONSULTATIONS BETWEEN CENTRAL BANKS, WEEKLY CONSULTATIONS BETWEEN FINANCE MINISTERS' DEPUTIES AND MONTHLY OR 6-WEEKLY CONTACTS BETWEEN FINANCE MINISTERS. THE FINANCE MINISTERS WOULD BE THE FINAL COURT OF APPEAL IN THE EVENT
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OF DISAGREEMENT OVER THE LEVEL OF EXCHANGE RATES TO BE DEFENDED." FOURCADE IS REPORTED TO HAVE FURTHER STATED THAT "THE DEFINITIVE NEW SYSTEM, WITH 'STABLE BUT ADJUSTABLE' EXCHANGE RATES, WOULD BE INTRODUCED AS SOON AS ECONOMIC CIRCUMSTANCES PERMITTED BY MEANS OF AN 85 PERCENT MAJORITY IN THE IMF. MEANWHILE, DURING THE INTERIM PERIOD, COUNTRIES WERE FREE TO USE ANY EXCHANGE RATE SYSTEM THEY WANTED PROVIDED IT CAME UNDER FUND SUPERVISION."

4. ALL OF MAJOR LONDON PRESS CARRIED EDITORIAL COMMENT ON THE SUMMIT AND EACH POINTED TO THE SIGNIFICANCE OF THE US/FRENCH EXCHANGE RATE AGREEMENT. FOLLOWING DESCRIPTIVE BACKGROUND ON THE US/FRENCH DIFFERENCES ON EXCHANGE RATE SYSTEMS, EACH ATTEMPTED TO COMMENT ON THE "WON" AND "LOST" ASPECTS OF THE NEW AGREEMENT. THE TIMES STATES THAT "THE AMERICANS SEEM TO HAVE MADE SOME CONCESSIONS TO THE FRENCH VIEW BECAUSE THEY NOW PROMISE THAT CENTRAL BANK INTERVENTION TO SMOOTH CURRENCY FLUCTUATIONS WILL BE UNDERTAKEN IF APPROPRIATE. BUT IN FACT, THE CONCESSION IS ONLY A TOKEN" FOLLOWING A STATEMENT THAT THE FEDERAL RESERVE BANK OF NEW YORK CURRENTLY INTERVENES TO SMOOTH THE MARKET, THE TIMES CONTINUES, "THE LATEST AMERICAN ATTITUDE CAN BE DESCRIBED, AT MOST, AS A SHIFT OF EMPHASIS. SOME MIGHT FEEL THAT EVEN THAT WAS AN EXAGGERATION." THE FINANCIAL TIMES COMMENTS THAT "NOW THAT FRANCE TOO HAS COME TO BELIEVE THAT A SYSTEM OF MANAGED FLOATING IS BEST SUITED TO PRESENT CIRCUMSTANCES, THE CENTRAL BANKERS CAN USEFULLY DISCUSS BETWEEN THEMSELVES POSSIBLE METHODS OF KEEPING FLUCTUATIONS IN EXCHANGE RATES SMALLER THAN THOSE THAT MIGHT OCCUR IN A TOTALLY FREE MARKET...THOUGH IT IS TO BE

HOPED THAT NO ATTEMPT WILL BE MADE OR ENCOURAGED TO PREVENT THE EXTERNAL VALUE OF A CURRENCY FROM REFLECTING IN THE MEDIUM TERM ITS COMPARATIVE RATE OF INFLATION." THE DAILY TELEGRAPH POINTS TO THE FACT THAT "THE AGREEMENT GIVES THE EUROPEAN COUNTRIES A POWERFUL ADVANTAGE, HOWEVER BECAUSE THEY ALONE HAVE RESERVES OF DOLLARS AND THEIR OWN CURRENCIES WITH WHICH TO INTERVENE. THE AMERICANS CAN SELL DOLLARS TO DEPRESS THE RATE OF EXCHANGE BUT THEY DO NOT HAVE THE RESERVE IN EUROPEAN CURRENCIES TO BUY DOLLARS ON A LARGE SCALE."

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5. COMMENT: NOTWITHSTANDING SOME DIFFERENCES OF ATTITUDES AS TO THE SIGNIFICANCE OF THE US/FRENCH AGREEMENT FOR THE ACTUAL FUTURE SHAPE OF THE INTERNATIONAL MONETARY SYSTEM AND THE IMMEDIATE DIRECT IMPACT ON BRITAIN, ALL OF THE LONDON PRESS POINTED TO THE IMPORTANCE OF THE AGREEMENT. WITHOUT EXCEPTION, THE MAJOR DAILIES INDICATED THAT THE AGREEMENT WOULD FACILITATE THE COMPLETION OF MEASURES TO REFORM THE RULES OF THE IMF AND THE DISTINCT PROBABILITY OF AGREEMENT IN PRINCIPLE ON GOLD, EXCHANGE RATES, IMF QUOTAS AT EITHER THE NEXT MINISTERS' MEETING OF THE GROUP OF 10 OR THE INTERIM COMMITTEE MEETING IN JAMAICA.

6. ON TRADE, THE PAPERS WERE UNIFORM IN THEIR ASSESSMENT OF THE RAMBOUILLET DISCUSSIONS OF POSSIBLE UK IMPORT CONTROLS: WILSON REPORTEDLY RECEIVED TACIT APPROVAL FOR SELECTIVE CONTROLS IN TWO OR THREE INDUSTRIAL SECTORS WHICH ARE THREATENED WITH SERIOUS INJURY. WHILE FIRMLY REJECTING GENERAL IMPORT CONTROLS, THE PRIME MINISTER IS REPORTED TO HAVE MAINTAINED THE RIGHT TO INTRODUCE SELECTIVE CONTROLS TO HELP SPECIFIC INDUSTRIES SUFFERING FROM "LETHAL ATTACKS" WHICH COULD PERMANENTLY DESTROY THEM. THIS POSITION APPEARED TO SATISFY THE SUMMIT THAT BRITAIN WAS NOT TURNING PROTECTIONIST.

7. PRESIDENT FORD'S RESPONSE WAS SAID TO BE ONE OF TOLERATION FOR THE "PARTICULARLY ACUTE AND UNUSUAL CIRCUMSTANCES" IN THE UK. GISCARD REPORTEDLY SAID LIMITED AND TEMPORARY ACTION TO HELP CERTAIN THREATENED INDUSTRIES WAS PERMISSIBLE UNDER THE OECD TRADE PLEDGE. THE PRESS SAW THE ABSENCE OF DISSENT AS MEANING THERE WAS LITTLE TASTE FOR RETALIATION BY BRITAIN'S MAJOR TRADING PARTNERS AND SPECULATED THAT UK IMPORT CONTROLS ARE CLOSE AT HAND. THE LEADING CANDIDATES ARE SEEN AS CARS, COLOR TV TUBES, ELECTRICAL APPLIANCES, FOOTWEAR AND TEXTILES.

RICHARDSON

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